(Amount Rs. in crore)

As on 31st March	Agriculture	SSI	Other Priority sector	Non-priority sector
2008	9,735	6,521	12,781	26,805
2009	7,108	7,741	13,472	38,694

The non-priority sector also includes gross NPAs of corporate sector.

Financial frauds

1075. SHRI SYED AZEEZ PASHA: Will the Minister of FINANCE be pleased to state:

(a) how many financial frauds were reported and enquired during the last three years in the nationalized banks, private banks, other financial institutions;

(b) how much money was involved;

(c) whether the Reserve Bank of India has constituted a special Committee to look and suggest ways to curb frauds in the financial sector;

(d) if so, the recommendations of that Committee;

(e) whether Government has accepted the recommendations of that Committee; and

(f) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) The total number of cases of frauds and amounts involved as reported by the Commercial Banks, Urban Co-operative Banks and Non-Banking Financial Institutions to Reserve Bank of India (RBI) during the last three calendar years (2006-2008) are as under:

(Rs. in Crores)

Category	2006		2007		2008	
	Number	Amount	Number	Amount	Number	Amount
Commercial Banks	21687	1200.87	22280	1077.84	21980	1431.11
Urban Co-operative Banks	125	53.18	591	62.04	457	34.16
Non Banking Financial Companies	Nil	Nil	13	1.38	103	14.87

(c) to (f) RBI has reported that in recent past no such Committee has been formed. However, two Committees had been constituted in 1991 and 2001, the details of which are as under:

(i) **Ghosh Committee**

RBI had constituted in October 1991 a High Level Committee under the Chairmanship of Shri A. Ghosh, to enquire into various aspect relating to frauds and malpractices in banks. The committee submitted its report in 1992 The report was divided into four Groups, *viz.* A, B, C, D and contained 97 recommendation. Out of 97 recommendations, 27 were required to be reported exclusively at Branch level, 43 exclusively at RO/ZO/HO level and 27 at both levels.

The various recommendations of the committee are summarized as under:

Group A

- Joint custody and dual responsibility of cash and other valuables.
- Rotation of staff/duties.
- Designate one of the officer as compliance officer.
- Financial and administration powers of officials to be laid down.
- Exercise of caution at the time of opening of new deposit of all types.
- Precautions against theft of cash.
- Precautions in writing of drafts/mail transfers.
- Precautions for averting frauds in letter of credits, guarantees.
- Screening/selection of employees in EDP Cell, computer area.
- Standards for fully computerized branches.

Group B

- Banks to introduce portfolio inspection in critical areas such as credit, investment, off balance sheet item, etc.
- Periodical movements between bank officials and investigating officials of CBI/Police.
- Six months prior to retirement, officials should exercise their sanctioning powers jointly with next higher authority.
- Paper used for cheques/drafts should be such that any use of chemical for making material alterations in instrument should be visible to naked eye.

Group C

- Chief Vigilance Officer should directly refer to CVC, cases having vigilance angle involving CMD.
- Fraud cases upto Rs. 25000 having involvement of an insider should not be reported to police where recovery is doubtful.
- Introduce a return of staff members to ensure strict submission of information of assets and liabilities and proper scrutiny thereof.

Group D

- BR should not be outstanding for more than 7 days.
- Obtaining photograph of depositors at the time of opening of accounts.

(ii) **Mitra Committee**

RBI set up an expert committee on Legal Aspects of Bank Fraud under the Chairmanship of Dr. N.L. Mitra in September 2000 and the committee submitted its report in August 2001. The recommendations of the committee consisted of two parts:

Part – 1 containing recommendations that could be implemented without any legislative changes and Part II requiring legislative changes for their implementation.

Major Recommendations under Part I

Development of Best Practices Code (BPC)

System of internalization of BPC

Internal checks and internal controls

Legal Compliance Certificate

Legal Compliance Audit

Appropriate Incentive System for bank official

Liability of accounting and auditing profession

System of credit registration and data information sharing

Recommendations in Part II

- Separate act to deal with financial frauds
- Financial fraud to be criminalized
- Serious financial frauds to be treated separately
- Strict liability and shift of burden of proof on the accused
- Power of search, seize and attach properties/assets involved in the fraud to the investigating agency
- Separate institution for investigation of serious financial frauds
- Special Courts for a fast track justice delivery mechanism

Recommendations under Part I had been conveyed to banks for implementation. As regards recommendations under Part-II, it was observed that the present laws are sufficient to take care of the concerns.

London Summit of G-20 Nations

1076. SHRI VIJAY JAWAHARLAL DARDA: Will the Minister of FINANCE be pleased to state: